



## **LENDER SERVICING RESPONSIBILITIES**

### **Guaranteed Rural Housing Loan Program United States Department of Agriculture Rural Development**

USDA Rural Development encourages lenders participating in the Guaranteed Rural Housing loan program to provide borrowers with the maximum opportunity to become successful homeowners, and lenders should perform sufficient servicing to meet the objectives of the GRH loan program.

Loan servicing should be approached as a preventive action rather than a curative one. Therefore, prompt followup by the lender on delinquent payments and the early recognition of potential problems are key to resolving many delinquent loans. Lastly, the lender is to perform those servicing actions that a prudent lender would perform in servicing its own portfolio of loans that are not guaranteed.

The lender is responsible for the servicing of the loan even if the lender has engaged a third party to service the loan on its behalf.

#### **Routine servicing**

- Receiving all payments as they fall due, with proper application of principal and interest.
- Establishing and maintaining an escrow account for payment of real estate taxes and assessments and all required insurance coverage.
- Complete Form FmHA 1980-80, "Guaranteed Rural Housing Loan Status Report" to report the status of each of the lender's guaranteed loans as of 12/31 each year.
- Take necessary actions to offset the effects of liens, probate proceedings and other legal actions.

#### **Delinquent Borrowers**

The lender should make every effort to assist borrowers who are cooperative and willing to make a good faith effort to cure the delinquency. The borrower must be given a reasonable opportunity to bring the account current before any foreclosure proceedings are started.

- Complete Form 1980-81, "Guaranteed Rural Housing Borrower Default Status" to report each borrower with a loan that is more the 30 days delinquent.

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### **Delinquent Borrower (cont.)**

- Inspect the collateral before account becomes 60 days delinquent to determine its condition and to assess the occupancy status.
- To assist a delinquent borrower, the lender may revise the payment schedule of the loan on a temporary basis with the written concurrence of the borrower.
- Changes in the loan repayment such as reamortization of the unpaid balance within the remaining term of the loan may be done with prior written concurrence from USDA Rural Development. Reamortization shall not change the amount of the loan guarantee.

### **Liquidation**

If lender determines that liquidation is necessary, the lender must notify USDA Rural Development of the decision to liquidate.

Once the decision to liquidate has been made, the lender must proceed in an expeditious manner and is expected to complete foreclosure within the timeframes that are reasonable for the State.

- Foreclosure must be initiated within 90 days of the date the decision to liquidate is made unless the foreclosure has been delayed by law.
- Reasonable liquidation costs such as those charged for similar services in the area, will be allowed during the liquidation process. Liquidation costs are deducted from the gross sale proceeds of the collateral when the lender has conducted the liquidation.

### **Servicing Plan**

- Lender must submit a servicing plan to USDA Rural Development when the account is 90 days delinquent and a method other than foreclosure is recommended to resolve the delinquency.

### **Loss payments**

- Loss payments will be made within 60 days of the lender's properly filed claim. The lender must submit its loss claim within 30 calendar days of the loan liquidation.

### **USDA Rural Development Guarantee**

- 100% of the first 35% of the principal advanced on the GRH loan is guaranteed, plus 85% of the remaining amount of loss.

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